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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any content of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your Shares in Hanhua Financial Holding Co., Ltd.\*, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**Hanhua Financial Holding Co., Ltd.\***

**瀚華金控股份有限公司**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 3903)**

**MAJOR TRANSACTION IN RELATION TO THE  
DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY;  
AMENDMENT OF THE GENERAL MANDATE TO THE BOARD TO ISSUE  
DEBT FINANCING INSTRUMENTS; AND  
NOTICE OF THE FIRST EXTRAORDINARY  
GENERAL MEETING IN 2023**

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The notice of the First Extraordinary General Meeting in 2023 of the Company to be held at Conference Room, 8th Floor, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC on Thursday, 10 August 2023 at 10:00 a.m., is set out on pages 26 to 27 of this circular.

The proxy form for use at the First Extraordinary General Meeting in 2023 is enclosed with this circular. Whether or not you intend to attend the First Extraordinary General Meeting in 2023, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the Company's H Share registrar (for holders of H Shares), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and to the Company's registered office in the PRC (for holders of Domestic Shares), at 6-9, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC as soon as possible and in any event not less than 24 hours before the time fixed for holding the First Extraordinary General Meeting in 2023 or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the First Extraordinary General Meeting in 2023 or any adjournment thereof should you so wish.

Reference to times and dates in this circular are to Hong Kong local times and dates.

\* *For identification purposes only*

25 July 2023

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
INTRODUCTION.....	4
MATTERS TO BE CONSIDERED AT THE FIRST EXTRAORDINARY GENERAL MEETING IN 2023.....	5
FIRST EXTRAORDINARY GENERAL MEETING IN 2023, PROXY FORM AND VOTING BY POLL.....	18
RECOMMENDATION.....	18
RESPONSIBILITY STATEMENT.....	18
FURTHER INFORMATION.....	19
<b>APPENDIX I FINANCIAL INFORMATION</b> .....	20
<b>APPENDIX II GENERAL INFORMATION</b> .....	22
<b>NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2023</b> .....	26

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:*

“Articles of Association”	the articles of association of the Company, as amended, altered or supplemented by other means from time to time
“Benchmark NAV”	the net asset value of the Target Company as at the Valuation Benchmark Date, which is stated in the due diligence report issued by an accountant firm and agreed by the Parties
“ Board ” or “ Board of Directors”	the board of Directors
“China Accounting Standards for Business Enterprises”	financial reporting standards and interpretations for business enterprises issued by the China Accounting Standards Committee of the China Ministry of Finance (《企業會計準則》)
“Company”	Hanhua Financial Holding Co., Ltd.* (瀚華金控股份有限公司), a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed and traded on the Main Board of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the terms of the Equity Transfer Agreement
“Completion NAV”	the net asset value of the Target Company as at the Completion Valuation Date, which is stated in the due diligence report issued by an accountant firm and agreed by the Parties
“Completion Valuation Date”	the business day immediately prior to the date of the Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Company for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Target Company by the Company to the Purchaser pursuant to the Equity Transfer Agreement

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## DEFINITIONS

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“Domestic Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC nationals and/or entities incorporated in the PRC
“Equity Transfer Agreement”	the equity transfer agreement dated 31 May 2023 entered into by the Company, the Purchaser and the Target Company in relation to the Disposal
“First Extraordinary General Meeting in 2023”	the first extraordinary general meeting in 2023 of the Company to be held on Thursday, 10 August 2023 at 10:00 a.m. at Conference Room, 8th Floor, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jointly Controlled Account”	the bank account of the Target Company, which is jointly controlled by the Target Company and the Purchaser, with the Target Company as the sole owner of such account and the Purchaser as a supervisor of the operations of such account
“Latest Practicable Date”	21 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Parties”	the Company, the Purchaser and the Target Company
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Premium”	the premium of the Consideration initially agreed by the Company and the Purchaser over the Benchmark NAV, being RMB8,800,000

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## DEFINITIONS

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“Purchaser”	Duyu (Shanghai) Information Services Co., Ltd.* ( 賭 煜 ( 上 海 ) 信 息 服 務 有 限 公 司 ), a foreign-invested enterprise established in Jiading District, Shanghai in 2019
“Receivables”	the receivables due from the Company to the Target Company
“RMB”	Renminbi, the lawful currency of the PRC. Unless otherwise stated, amounts set out in this circular are in RMB
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Shares”	Domestic Shares and H Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	supervisors of the Company
“Target Company”	Sichuan Hanhua Micro-credit Co., Ltd.* ( 四 川 瀚 華 小 額 貸 款 有 限 公 司 ), a company established in the PRC and a direct wholly-owned subsidiary of the Company prior to the Disposal
“Valuation Benchmark Date”	31 May 2023
“%”	per cent

\* *For identification purpose only*



**Hanhua Financial Holding Co., Ltd.\***

**瀚華金控股份有限公司**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 3903)**

*Executive Directors:*

Mr. Zhang Jun (*Chairman*)  
Mr. Zhang Guoxiang  
Mr. Cui Weilan

*Registered Office:*

6-9, Building 2  
11 East Honghu Road  
Yubei District  
Chongqing  
the PRC

*Non-executive Directors:*

Mr. Liu Jiaoyang  
Ms. Liu Tingrong  
Ms. Wang Fangfei  
Mr. Feng Yongxiang  
Mr. Liu Bolin

*Principal Place of  
Business in Hong Kong:*  
Rm 1203, 12/F  
Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Cao Ziwei  
Mr. Li Wei  
Mr. Hu Yuntong  
Mr. Xu Hongcai

*To the Shareholders*

Dear Sirs or Madams,

**MAJOR TRANSACTION IN RELATION TO THE  
DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY;  
AMENDMENT OF THE GENERAL MANDATE TO THE BOARD TO ISSUE  
DEBT FINANCING INSTRUMENTS; AND  
NOTICE OF THE FIRST EXTRAORDINARY  
GENERAL MEETING IN 2023**

**I. INTRODUCTION**

This circular is to provide you with the notice of the First Extraordinary General Meeting in 2023 and relevant information regarding the resolutions to be proposed at the First Extraordinary General Meeting in 2023 to allow you to consider to vote for or against

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## LETTER FROM THE BOARD

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or abstain from voting in respect thereof.

### II. MATTERS TO BE CONSIDERED AT THE FIRST EXTRAORDINARY GENERAL MEETING IN 2023

#### ORDINARY RESOLUTION

1. To consider and approve the proposal in relation to the disposal of 100% equity interest in a subsidiary.

Reference is made to the announcement of the Company dated 31 May 2023 in respect of the major transaction relating to the disposal of 100% equity interest in a subsidiary of the Company.

On 31 May 2023 (after trading hours), the Company (as the vendor), the Purchaser (as the purchaser) and the Target Company (as the target company) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company at a total consideration of RMB800,022,227.32 (subject to adjustment) in cash. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

#### **Equity Transfer Agreement**

#### **Date**

31 May 2023 (after trading hours)

#### **Parties**

- (1) the Company (as the vendor);
- (2) the Purchaser (as the purchaser); and
- (3) the Target Company (as the target company).

#### **Subject matter**

Pursuant to the terms of the Equity Transfer Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company.

#### **Effective date**

The Equity Transfer Agreement shall take effect upon the date when (i) it is duly

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## LETTER FROM THE BOARD

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executed by the Parties; and (ii) the Disposal is approved by the Shareholders at a general meeting of the Company.

As at the Latest Practicable Date, the Parties have duly executed the Equity Transfer Agreement but the Disposal has yet to be approved by the Shareholders at a general meeting of the Company. If the Disposal is approved at the First Extraordinary General Meeting in 2023, the Equity Transfer Agreement will take effect on the date of the First Extraordinary General Meeting in 2023 (i.e. 10 August 2023).

### **Consideration**

The Consideration is initially agreed to be RMB800,022,227.32, which was determined by the Parties after arm's length negotiations, comprising (i) the Benchmark NAV, being RMB791,222,227.32 and (ii) the Premium, being RMB8,800,000. The initial Consideration has been determined on the following basis:

- (1) as at 31 May 2023, being the Valuation Benchmark Date, based on the unaudited financial statements of the Target Company, the net asset value of the Target Company is RMB791,222,227.32, primarily comprising the Receivables representing approximately 99.88% of the net asset value of the Target Company; and
- (2) the Premium was determined by the Company and Purchaser taking into account the business scope of the Target Company, in particular the Target Company's nationwide license to perform online small loan business in the PRC. Such license does not fall within the definition of "intangible asset" in the China Accounting Standards for Business Enterprises. Therefore, the value of such license has not been captured by the net asset value of the Target Company.

An accounting firm will be appointed to determine the Completion NAV. The Consideration will be adjusted as below:

The Consideration = RMB800,022,227.32 + (the Completion NAV - the Benchmark NAV)

Income and expenses arising from the necessary operations of the Target Company during the period from Valuation Benchmark Date to the Completion Valuation Date may have an impact on the Completion NAV, which in turn may affect the amount of the Consideration.

The Consideration shall be payable by the Purchaser in five tranches in the following manner:



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## LETTER FROM THE BOARD

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- (1) first tranche payment

RMB4,400,000, representing 50% of the Premium, shall be payable within one business day upon the fulfillment or waiver of the relevant conditions for such payment.

- (2) second tranche payment

RMB3,900,000, representing approximately 44.3% of the Premium, shall be payable within one business day upon the fulfillment or waiver of the relevant conditions for such payment.

- (3) third tranche payment

RMB5,000,000, representing approximately 0.63% of the Benchmark NAV, shall be payable within one business day upon the fulfillment or waiver of the relevant conditions for such payment.

- (4) fourth tranche payment

The aggregate amount of the fourth tranche payment shall be calculated as follows:

The aggregate amount of the fourth tranche payment = the Completion NAV – the amount of the third tranche payment (i.e. RMB5,000,000)

The Company shall settle the Receivables in the following aggregate amount by 29 September 2023:

The aggregate amount of the Receivables to be settled by the Company by 29 September 2023 = the Completion NAV – the amount of the third tranche payment (i.e. RMB5,000,000) – the amount of cash in the accounts of the Target Company as at the Completion Valuation Date.

The fourth tranche payment shall be made by the Purchaser in one or multiple installment(s) according to the settlement schedule of the Receivables as further explained below. Subject to the fulfillment or waiver of the relevant conditions for the fourth tranche payment, whenever the Company transfers any fund to the Jointly Controlled Account for the settlement of any part of the Receivables, the Purchaser shall, within one business day thereafter, pay an equivalent amount to the Company as part of the settlement of the fourth tranche payment till the aggregate amount of the fourth tranche payment is paid by the Purchaser

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## LETTER FROM THE BOARD

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in full, except that the amount of fund to be transferred by the Company to the Jointly Controlled Account in the last installment for the settlement of the part of the Receivables may be equivalent to or less than the last installment of the fourth tranche payment paid by the Purchaser due to the difference between the aggregate amount of the fourth tranche payment and the aggregate amount of the Receivables to be settled by the Company by 29 September 2023 (i.e. the amount of cash in the accounts of the Target Company as at the Completion Valuation Date) (the “**Last Installment Difference**”).

Subject to the fulfillment of the relevant conditions for the fourth tranche payment and the settlement of the Receivables in the above aggregate amount by the Company by 29 September 2023, the Purchaser shall pay the fourth tranche payment by 30 September 2023.

(5) fifth tranche payment

RMB500,000, representing approximately 5.7% of the Premium, shall be payable on the date when the relevant conditions for such payment are fulfilled or waived, which shall be no later than 31 December 2023 (or such later date as may be agreed by the Parties).

Each tranche payment of the Consideration is subject to fulfillment or waiver of certain conditions, the details of which are set out below.

The first tranche payment of the Consideration is subject to the fulfillment (or waiver in writing by the Purchaser) of the following conditions:

- (1) the Disposal having been approved at the general meeting of the Company and legally valid documents in respect of the resolutions passed at the general meeting of the Company for such approval having been issued;
- (2) the matters relating to the transfer of equity interest in the Target Company having been approved in writing by the Sichuan Financial Bureau\* (四川省金融局) (if necessary), Chengdu Financial Bureau\* (成都市金融局) and other financial regulatory authorities (if necessary); and
- (3) the Company having issued a letter to the Purchaser confirming that all conditions for the first tranche payment have been satisfied and the Purchaser having confirmed the satisfaction of such conditions in writing.

The second tranche payment of the Consideration is subject to the fulfillment (or waiver in writing by the Purchaser) of the following conditions:

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## LETTER FROM THE BOARD

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- (1) the Company and the Target Company having completed the registration or filing procedures with industrial and commercial administration authority for the changes involved in the Disposal, such as changes in directors, supervisors, general managers, legal representatives, names, shareholding and articles of association, and having obtained the updated business license issued by the State Administration for Market Regulation\* (市場監督管理局) in respect of the aforesaid changes;
- (2) the Company and the Target Company having completed the transfer of documents or items set out in the list of assets to be transferred as signed and confirmed by the Parties; and
- (3) the Company having issued a letter to the Purchaser confirming that all conditions for the second tranche payment have been satisfied and the Purchaser having confirmed the satisfaction of such conditions in writing.

The third tranche payment of the Consideration is subject to the fulfillment (or waiver in writing by the Purchaser) of the following conditions precedent:

- (1) the Company having transferred an amount of not less than RMB5,000,000 to a bank account of the Target Company designated by the Purchaser for the settlement of part of the Receivables; and
- (2) the Company having issued a letter to the Purchaser confirming that all conditions for the third tranche payment have been satisfied and the Purchaser having confirmed the satisfaction of such conditions in writing.

The fourth tranche payment of the Consideration is subject to the fulfillment (or waiver in writing by the Purchaser) of the following conditions:

- (1) the Purchaser having cooperated in the opening of the Jointly Controlled Account, and such account having been approved by the Company and the Purchaser;
- (2) prior to the payment by the Purchaser of each installment under the fourth tranche payment of the Consideration, the Company having transferred an equivalent amount (except for the Last Installment Difference) to the Jointly Controlled Account for settlement of part of the Receivables.
- (3) an accounting firm having issued a report covering the due diligence for the period commencing from the Valuation Benchmark Date to the Completion Valuation Date, and such report having set out the Completion NAV; and

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## LETTER FROM THE BOARD

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- (4) the Company having issued a letter to the Purchaser confirming that all conditions for the fourth tranche payment have been satisfied and the Purchaser having confirmed the satisfaction of such conditions in writing; and

The fifth tranche payment of the Consideration is subject to the fulfillment (or waiver in writing by the Purchaser) the following conditions:

- (1) the first to fourth tranche payments of the Consideration having been made to the Purchaser; and
- (2) the Company having issued a letter to the Purchaser confirming that all conditions for the fifth tranche payment have been satisfied and the Purchaser having confirmed the satisfaction of such conditions in writing.

Unless otherwise agreed between the Company and the Purchaser, the conditions for the first to fourth tranche payments of the Consideration shall be satisfied no later than 30 October 2023. The first to fourth tranche payments of the consideration shall be paid no later than 31 October 2023 (inclusive), unless other payment proposals are put forward by the Purchaser.

Unless otherwise proposed by the Purchaser, in the event the conditions precedents fail to be satisfied by the Company, resulting in the Purchaser being unable to complete the first to fourth tranche payments of the Consideration on or before 31 October 2023, the Purchaser shall have the right to terminate the Equity Transfer Agreement and any other related transaction documents (if any). The Company shall return the entire amount of any consideration paid by the Purchaser to the Company and shall be liable for actual and foreseeable losses to the Purchaser.

The conditions for each tranche payment of the Consideration are waivable by the Purchaser in writing as the Purchaser may choose to make such payment or any part thereof sooner even if certain condition(s) is/are not satisfied prior to such payment. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

### **Completion**

The Completion shall take place on the date when the Target Company completes the registration/filing with industrial and commercial administration authority for the matters related to the Disposal (including the matters set out in the first condition for the second tranche payment of the Consideration) and obtains a updated business license of the Target Company from the State Administration for Market Regulation\*.

The table below sets out the registered capital and shareholding of the shareholders of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately upon the Completion:

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## LETTER FROM THE BOARD

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Name of shareholder	As at the Latest Practicable Date		Immediately upon Completion	
	Registered capital (RMB)	Shareholding (%)	Registered capital (RMB)	Shareholding (%)
The Company	700,000,000	100	-	-
The Purchaser	-	-	700,000,000	100
Total	<u>700,000,000</u>	<u>100</u>	<u>700,000,000</u>	<u>100</u>

Upon Completion, the Company will cease to hold any equity interest in the Target Company, and the financial results of the Target Company will no longer be consolidated in the consolidated financial statements of the Group.

### Information on the parties

#### *Information on the Target Company*

The Target Company was established in the PRC on 19 May 2009. It mainly engages in small loan business (online), bill discount business (illegal fundraising, absorbing public capital and other financial activities are prohibited), loan acceptance and loan extension by internet information technology. As at the date of this circular, both of its registered capital and paid-up registered capital amount to RMB700,000,000.

The audited net profit/(loss) before taxation and the audited net profit/(loss) after taxation of the Target Company for each of the financial years ended 31 December 2021 and 2022 are as follows:

	<b>For the year ended 31 December 2021</b> RMB'000 (Audited)	<b>For the year ended 31 December 2022</b> RMB'000 (Audited)
Net profit/(loss) before taxation	53,295.81	(482.39)
Net profit/(loss) after taxation	44,607.61	(1,411.29)

As at 31 December 2022, the audited net assets of the Target Company amounted to RMB791,120,969.6.

#### *Information on the Company*

The Company is a nationwide inclusive financial service provider approved by the State Administration for Market Regulation\* (國家市場監督管理總局). It is the first national inclusive financial service group listed on the Stock Exchange in China, and it

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## LETTER FROM THE BOARD

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focuses on providing diversified and comprehensive financial services for domestic small, medium and micro enterprises and individuals. The Group continues to maintain a national leading position in terms of business scale, institutional layout, professional team, risk control technology and service standards.

### *Information on the Purchaser*

The Purchaser is a foreign-invested enterprise established in Jiading District, Shanghai in 2019 with a registered capital of RMB1,200,000,000. It is mainly engaged in providing supply chain services such as inspection and identification of goods (including but not limited to apparel, shoes, hats and bags), warehousing, logistics and transportation channels to e-commerce platforms, resident merchants and consumers. Mr. Yang Bing is the ultimate beneficial owner of the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the 12 months immediately preceding the date of this circular, there has been, no material loan arrangement between (a) the Purchaser, any of its directors, legal representatives and/or ultimate beneficial owner who can exert influence on the Disposal; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Disposal.

### **Financial impact of the Disposal and use of proceeds**

Following the Completion, the Company expects that the gross proceeds and net proceeds (after deducting relevant expenses and costs, and the amount for the settlement of the Receivables) will be approximately RMB800 million (subject to adjustment) and RMB8.8 million (subject to adjustment), respectively. The Company expects to record a gain of approximately RMB8.8 million (subject to adjustment) from the Disposal. The proceeds will be used by the Group for the purpose of the daily operations of its guarantee and financial factoring businesses and the repayment of its borrowings.

### **Reasons and benefits of the Disposal**

Since 2017, Chinese regulatory authorities have implemented various measures with the aim of preventing and resolving systemic financial risks, which had the effect of (i) raising the threshold for extending small loans online by requiring the registered capital of companies extending small loans online to be at least RMB5 billion; (ii) causing each shareholder to only be able to control one company that is extending small loans online; (iii)

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## LETTER FROM THE BOARD

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restricting the maximum limit of interest rates; (iv) restricting the manner in which debts are collected, which resulted in the increase of bad debts; (v) emphasizing protection for financial consumers; and (vi) disconnecting the credit database between small loan companies and banks.

In view of the regulatory policies that have been imposed on the business of small loan companies in the PRC, the development of the small loan business industry has been stagnant and the Target Company has extended minimal new loans in the past two years, which adversely affected the profitability of the Company's small loan business. The Company has been actively adjusting the layout of its small loan business and tightening its devotion of resources into the small loan business.

Taking into account the low profitability of the Target Company, the Company believes that the Disposal represents a good opportunity to realize its small loan business. The Company had negotiated with multiple potential purchasers for the Disposal and decided to sell the Target Company to the Purchaser as the Purchaser was willing to pay the Premium for the Target Company's nationwide license to perform online small loan business in the PRC.

The Disposal is in line with the Group's strategy in further streamlining its business operations by concentrating its resources to its guarantee and financial factoring businesses, and strengthening the Group's cash position.

Having considered the low profitability of the Target Company caused by the above regulatory policies and economic environment, the Premium paid by the Purchaser, and the Group's business strategy, the Directors consider that (i) the Disposal will not have a significant impact on the operations of the Group; and (ii) the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Equity Transfer Agreement and the Disposal, thus no Shareholder is required to abstain from voting on the proposed resolution to approve the

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## LETTER FROM THE BOARD

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Equity Transfer Agreement and the Disposal.

### SPECIAL RESOLUTION

2. To consider and approve the proposal in relation to the amendment of the general mandate to the Board to issue debt financing instruments.

The Company held the second meeting of the fourth session of the Board on 30 March 2023 to consider and approve the grant of general mandate to the Board (including its delegates) to issue debt financing instruments (the “**General Mandate**”), and the Company held the 2022 Annual General Meeting of Shareholders on 20 June 2023 to consider and approve the grant of General Mandate, authorizing the Board to issue debt financing instruments, the prescribed period of which does not exceed 15 years.

Based on the progress of the issuance of debt financing instruments, it is expected that bonds of a perpetual nature may be issued, and it is proposed for the scope of the General Mandate to include perpetual debt financing instruments and other legally issued domestic and foreign debt financing instruments. Except as set out in the table below, the remaining contents of the General Mandate remain unchanged.

Existing contents	Revised contents
<p><b>i. ISSUANCE PLAN</b></p> <p>Relevant debt financing instruments shall include but not be limited to super short-term commercial paper, short-term commercial paper, mid-term notes, corporate bonds, domestic targeted debt financing instruments, overseas debt financing instruments and overseas bonds/notes denominated in RMB or foreign currencies.</p>	<p><b>i. ISSUANCE PLAN</b></p> <p>Relevant debt financing instruments shall include but not be limited to super short-term commercial paper, short-term commercial paper, mid-term notes, corporate bonds, domestic targeted debt financing instruments, overseas debt financing instruments, overseas bonds/notes, <u>perpetual debt financing instruments and other legally issued domestic and foreign debt financing instruments</u> denominated in RMB or foreign currencies.</p>
<p><b>ii. PARTICULARS OF THE ISSUANCE</b></p> <p>(iv) Term and type: Not more than 15 years for one single-term instrument or a portfolio of instruments with various terms. Specific term and issue size of each term type shall be determined by the Board according to the capital</p>	<p><b>ii. PARTICULARS OF THE ISSUANCE</b></p> <p>(iv) Term and type: <u>The maximum duration of non-perpetual debt financing instruments shall not exceed 15 years, while the duration of perpetual debt financing instruments shall not be subject to limitation</u>, and the debt financing</p>



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## LETTER FROM THE BOARD

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demands and market situations.	instruments can be one single-term instrument or a portfolio of instruments with various terms. Specific term and issue size of each term type shall be determined by the Board according to the capital demands and market situations.
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As of the Latest Practicable Date, the Company does not have any plan to issue any debt financing instrument under the General Mandate. The Company may consider issuing debt financing instrument at an appropriate time.

The full text of the grant of General Mandate after this amendment is as follows:

The grant of general mandate to the Board to issue debt financing instruments

To meet the demands of the Company's operations, adjust the debt structure, replenish the working capital and reduce the financing cost, according to the 2022 fund-raising plan of the Company, the Company proposes to issue appropriate debt financing instruments. To seize the positive market opportunity and to enhance the flexibility and efficiency of financing, according to the market practice, it is proposed at the AGM to authorize the Board to determine matters regarding the issuance of debt financing instruments in one or multiple tranches within the cap amount of bond issuance as stipulated in the applicable laws. Details of the Issuance are set out below:

**i. ISSUANCE PLAN**

Relevant debt financing instruments shall include but not be limited to super short-term commercial paper, short-term commercial paper, mid-term notes, corporate bonds, domestic targeted debt financing instruments, overseas debt financing instruments, overseas bonds/notes, perpetual debt financing instruments and other legally issued domestic and foreign debt financing instruments denominated in RMB or foreign currencies.

**ii. PARTICULARS OF THE ISSUANCE**

- (i) Issuer: The Company and/or its controlled or wholly-owned subsidiary. The specific issuer shall be determined by the Board according to the Issuance needs.
- (ii) Target: Investors who meet the conditions for subscription, but no preferential placing to the Shareholders.
- (iii) Issue size: Subject to compliance with the requirements under relevant laws and

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## LETTER FROM THE BOARD

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regulations as well as those specified by regulatory authorities in respect of the total outstanding balance of debt financing instruments under the Issuance, the specific issue size shall be determined by the Board according to capital demands and market situations.

- (iv) Term and type: The maximum duration of non-perpetual debt financing instruments shall not exceed 15 years, while the duration of perpetual debt financing instruments shall not be subject to limitation, and the debt financing instruments can be one single-term instrument or a portfolio of instruments with various terms. Specific term and issue size of each term type shall be determined by the Board according to the capital demands and market situations.
- (v) Use of proceeds: The proceeds to be raised from the Issuance are intended to be used towards, among others, meeting the demands of the operations adjustment of debt structure, replenishment of working capital and/or funding for capital investments of the Company and/or its controlled or wholly-owned subsidiaries. Specific use of proceeds shall be determined by the Board according to capital demand.
- (vi) Term of validity of the resolution: One year from the date of the passing of the resolution at the AGM.

If the Board (including its authorized persons) have resolved to issue within the term of validity of the resolution, and there is no conflict between the authorization granted to the Board (including its authorized persons) at a general meeting after the end of the term of validity of the resolution and the authorization of the relevant issuance, the authorization to the Board (including its authorized person) granted at the general meeting shall be regarded to have been extended.

### iii. AUTHORIZATION TO THE BOARD

- (i) It is proposed to the Shareholders at the AGM to grant the general mandate to the Board to deal with the following in accordance with the specific needs of the Company and market conditions:
  - (a) To determine the issuer, issue size, type, specific instruments, detailed terms, conditions and other matters relating to the Issuance (including, but not limited to, the issue size, actual total amount, currency, issue price, interest rate or mechanism for determining the interest rate, issue location, issue timing, term, whether or not to issue in multiple tranches and number of tranches, whether or not to set repurchase or redemption terms, credit rating, guarantee, repayment term, specific fund-raising arrangements within the scope approved at a general meeting, detailed

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## LETTER FROM THE BOARD

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- placing arrangements, underwriting arrangements and all other matters relating to the Issuance).
- (b) To carry out all necessary and ancillary actions and procedures of the Issuance (including, but not limited to, engage intermediary institutions, handle all approval, registration and filing procedures with the relevant regulatory authorities in connection with the Issuance on behalf of the Company, execute all necessary documents related to the Issuance, select bonds trustee manager for the Issuance, formulate rules for the bondholders' meeting and handle any other matters relating to the Issuance and trading).
  - (c) To approve, confirm and ratify any action or procedure relating to the Issuance as mentioned above already taken by the Company.
  - (d) To make adjustments to the specific proposals for the Issuance in accordance with the comments from the relevant regulatory authorities or the market conditions within the scope of authorization granted at the general meeting, except where voting at a general meeting is required by any relevant laws and regulations and the Articles of Association.
  - (e) To determine and handle all relevant matters relating to the listing of the debt financing instruments upon the completion of the Issuance.
  - (f) In case of debt financing instruments are issued by the Company, during the validity period of the debt financing instruments, to determine not to distribute dividends to the Shareholders to safeguard repayment of debts as required under the relevant laws and regulations in the event that the Company expects to, or does fail to pay the principal and/or coupon interests of such bonds as they fall due.
  - (g) To approve, execute and dispatch any announcements or circulars relating to the Issuance and disclose relevant information in accordance with the requirements of the relevant jurisdiction where the Shares are listed.
- (ii) Upon the approval at the AGM, it is proposed that the Shareholders shall authorize the Board to delegate the authorizations set forth in items (a) to (f) of paragraph (i) above to the chairman and/or the president of the Company.
- (iii) Upon the approval at the AGM, it is proposed that the Shareholders shall authorize the Board to delegate the authorizations set forth in item (g) of paragraph (i) above to the secretary of the Board.

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## LETTER FROM THE BOARD

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### **III. FIRST EXTRAORDINARY GENERAL MEETING IN 2023, PROXY FORM AND VOTING BY POLL**

The notice of the First Extraordinary General Meeting in 2023 to be held at Conference Room, 8th Floor, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC on Thursday, 10 August 2023, at 10:00 a.m. is set out on pages 26 to 27 of this circular.

The proxy form for use at the First Extraordinary General Meeting in 2023 is enclosed with this circular. Whether or not you intend to attend the First Extraordinary General Meeting in 2023, you are required to complete and return the proxy form to, for holders of H Shares, the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and for holders of Domestic Shares, the Company's registered office in the PRC, as soon as possible and in any event not less than 24 hours before the time fixed for holding the First Extraordinary General Meeting in 2023 or any adjournment thereof.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the First Extraordinary General Meeting in 2023 will demand a poll for all resolutions to be proposed at the First Extraordinary General Meeting in 2023 in accordance with Article 88 of the Articles of Association.

Poll results will be announced by the Company in the manner prescribed under Rule 13.39(5) of the Listing Rules after the First Extraordinary General Meeting in 2023.

### **IV. RECOMMENDATION**

The Board considers that the terms of the Equity Transfer Agreement and amendments to the General Mandate are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends you to vote in favor of the resolutions approving the Disposal and the amendments to the General Mandate.

### **V. RESPONSIBILITY STATEMENT**

This circular for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### VI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board  
**Hanhua Financial Holding Co., Ltd.**  
**Zhang Jun**  
*Chairman of the Board*

Chongqing, the PRC, 25 July 2023

## 1. FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published and are available on both the website of the Stock Exchange at and the website of the Company through the hyperlinks below:

2020 annual report: (pages 224-376)

[https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901023\\_c.pdf](https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901023_c.pdf)

2021 annual report: (pages 166-316)

[https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300927\\_c.pdf](https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0413/2022041300927_c.pdf)

2022 annual report: (pages 147-296)

[https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0414/2023041400431\\_c.pdf](https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0414/2023041400431_c.pdf)

## 2. INDEBTEDNESS STATEMENT

Statement of Indebtedness as of 31 May 2023 of the Group is set out as follows, and there are no other types of indebtedness apart from those disclosed below:

	<u>As of 31 May 2023</u>
	RMB'000
Bank loans	
- Unsecured and unguaranteed	554,217
- Secured by properties of the Group	122,201
- Secured by other assets of the Group	296,754
Other loans	
- Unsecured and unguaranteed	360,790
- Secured by other assets of the Group	289,657
Other interest-bearing liabilities	
- Unsecured and unguaranteed	602,134
Financial asset sold under repurchase agreement	
- Secured by other assets of the Group	168,866
Lease liabilities	8,323
<b>Total indebtedness</b>	<u>2,402,942</u>

### Contingent liabilities

As at 31 May 2023, the Company provided guarantees of approximately RMB835 million for bank financing and other financing granted to subsidiaries of the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Group did not, at the close of business on 31 May 2023, have any outstanding loan issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debt securities or any other similar indebtedness loans (whether guaranteed, unguaranteed, secured and unsecured) or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees or other material contingent liabilities.

### **3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

As seen from the analysis under the sections headed “Financial impact of the Disposal and use of proceeds” and “Reasons for and benefits of the Disposal” in the letter from the Board, the net asset value and financial position of the Group have been enhanced following the Completion, which is beneficial to the long-term development of the operation of the Group.

The Company believes that the Disposal represents a good opportunity to realize its investment in the Target Company, streamline its business operations, and reduce the uncertainties of the Group’s future development. Following the Disposal, the Group will continue to focus its resources and operation on its guarantee consulting and assets management businesses, which will remain as the major source of revenue for the Group. At the same time, the Group will continue to support the banking business of its investments. The Group will keep actively exploring new business models and new profit growth drivers. Coupling such strategy with a focus on digital transformation, the Company is ready for another economic recovery to generate strong business and financial results with the aim of improving the return on shareholders’ investment.

### **4. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, taking into account the financial resources presently available to the Group, the internally generated funds, the currently available facilities and the effects of the Disposal and assuming the successful renewal of certain bank loans, other loans and financial assets sold under repurchase agreement upon maturity, the Group has sufficient working capital for its ordinary business for at least the next twelve months from the date of this Circular, in the absence of unforeseeable circumstances.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

Name of Shareholder	Position	Class of Share	Nature of interests	No. of shares held (Shares)	Approximate percentage in relevant class of share (%)	Approximate percentage in total share capital (%)
Zhang Guoxiang <sup>(1)</sup>	Director	Domestic Share	Beneficial owner/ Interests of controlled corporation	453,185,762 (Long position)	13.21	9.85
		H Share	Beneficial owner	585,971 (Long position)	0.05	0.01
Wang Fangfei <sup>(2)</sup>	Director	Domestic Share	Interests of controlled corporation	231,532,653 (Long position)	6.75	5.03
Cui Weilan	Director	Domestic Share	Beneficial owner	2,058,742 (Long position)	0.06	0.04
		H Share	Beneficial owner	648,005 (Long position)	0.06	0.01
Liu Jiaoyang	Director	Domestic Share	Beneficial owner	441,159 (Long position)	0.01	0.01
Chen Zhonghua	Supervisor	Domestic Share	Beneficial owner	441,159 (Long position)	0.01	0.01
He Yu	Supervisor	Domestic Share	Beneficial owner	294,106 (Long position)	0.01	0.01



*Notes:*

1. Mr. Zhang Guoxiang directly holds approximately 66.89% of the equity interest of Chongqing Huitai Investment Co., Ltd.\* (重慶慧泰投資有限公司) (“**Huitai**”), which directly holds 450,416,901 Domestic Shares. Accordingly, Mr. Zhang Guoxiang is deemed to be interested in the 450,416,901 Domestic Shares held by Huitai. Mr. Zhang Guoxiang also directly holds 2,768,861 Domestic Shares.
2. Ms. Wang Fangfei directly holds 55% of the equity interest of Chongqing Jiulong Investment Co., Ltd. (“**Chongqing Jiulong**”), which directly holds 231,532,653 Domestic Shares. Accordingly, Ms. Wang Fangfei is deemed to be interested in the 231,532,653 Domestic Shares held by Chongqing Jiulong.
3. As at the Latest Practicable Date, there were 4,600,000,000 Shares in issue, comprising 3,430,000,000 Domestic Shares and 1,170,000,000 H Shares.

### **3. INTERESTS IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest, direct or indirect, in any assets which had been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the date of this circular, none of the Directors or Supervisors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had a service contract with the Company which is not expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation).

### **5. LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

### **6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, the Supervisors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. MATERIAL CONTRACTS**

The following contract(s) (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the Equity Transfer Agreement;
- (b) the equity transfer agreement dated 5 August 2022 in relation to the acquisition of an aggregate of approximately 14.00% equity interest held by Chongqing Taoranjia Food Culture (Group) Co., Ltd.\* (重慶陶然居飲食文化（集團）股份有限公司), Chongqing Huiyuan Investment Co., Ltd.\* (重慶惠遠投資有限公司), Mr. Wu Fanfan and Ms. Li Qiujun in Chongqing Hanhua Micro-credit Co., Ltd.\* (重慶市瀚華小額貸款有限責任公司) at the total consideration RMB90,837,990.58. For details, please refer to the announcement of the Company dated 5 August 2022; and
- (c) the equity transfer agreement dated 10 January 2022 in relation to the acquisition of an aggregate of approximately 14.29% equity interest in the Target Company from Chengdu Metallic Materials Co., Ltd.\* (成都市金屬材料有限公司) at the total consideration RMB116,000,000. For details, please refer to the announcement of the Company dated 10 January 2022.

**8. GENERAL INFORMATION OF THE COMPANY**

- (a) The company secretary of the Company is Mr. Ren Weidong. Mr Ren obtained his bachelor's degree in auditing from Hangzhou Institute of Electronics and Engineering\* (杭州電子工業學院) and an EMBA degree in Guanghua School of Management of Peking University. He is also the vice president of the Company.
- (b) The registered office of the Company is situated at 6-9, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC.
- (c) The principal place of business of the Company in Hong Kong is at Rm 1203, 12/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

- (f) All references to times and dates in this circular refer to Hong Kong times and dates.

**9. DOCUMENTS ON DISPLAY**

A copy of the following document will be published on the websites of the Stock Exchange (<http://hkexnews.hk>) and the Company (<https://www.hanhua.com>) during the period of 14 days from the date of this circular:

- (a) the Equity Transfer Agreement.



**Hanhua Financial Holding Co., Ltd.\***

**瀚華金控股份有限公司**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 3903)**

**NOTICE OF THE FIRST EXTRAORDINARY  
GENERAL MEETING IN 2023**

**NOTICE IS HEREBY GIVEN** that the First Extraordinary General Meeting in 2023 of Hanhua Financial Holding Co., Ltd.\* (the “**Company**”) will be held at Conference Room, 8th Floor, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the People’s Republic of China (the “**PRC**”) on Thursday, 10 August 2023 at 10:00 a.m., for the following purpose:

**ORDINARY RESOLUTION**

1. To consider and approve the proposal in relation to the disposal of 100% equity interest in a subsidiary.

**SPECIAL RESOLUTION**

2. To consider and approve the proposal in relation to the amendment of the general mandate to the Board to issue debt financing instruments.

By order of the Board  
**Hanhua Financial Holding Co., Ltd.**  
**Zhang Jun**  
*Chairman of the Board*

Chongqing, the PRC, 25 July 2023

\* *For identification purpose only*

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2023

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Notes:

1. In order to determine the list of shareholders who are entitled to attend the First Extraordinary General Meeting in 2023, the register of members of the Company has been closed starting from Monday, 7 August 2023 to Thursday, 10 August 2023 (both days inclusive), during which no transfer of shares will be effected. To be eligible to attend and vote at the First Extraordinary General Meeting in 2023, all transfer documents should have been lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's registered office in the PRC at 6-9, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Friday, 4 August 2023.
2. A shareholder entitled to attend and vote at the First Extraordinary General Meeting in 2023 may appoint one or more person (whether he/she is a shareholder or not) to attend and vote at the same on his or her behalf.
3. The instrument appointing a proxy must be in writing and signed by a shareholder or his duly authorized attorney. If the shareholder is a corporation, such instrument must be either under its common seal or duly signed by its legal representative, director(s) or duly authorized attorney(s).
4. Shareholders who intend to attend the First Extraordinary General Meeting in 2023 by proxy should complete the proxy form. For holders of H Shares, the proxy form should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and for holders of Domestic Shares, the proxy form should be returned to the Company's registered office in the PRC at 6-9, Building 2, 11 East Honghu Road, Yubei District, Chongqing, the PRC, in person or by post as soon as possible and in any event not less than 24 hours before the time fixed for holding the First Extraordinary General Meeting in 2023 or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending the First Extraordinary General Meeting in 2023 or any adjournment thereof and voting in person.
5. The First Extraordinary General Meeting in 2023 is expected to last for less than half a day. Shareholders (in person or by proxy) attending the First Extraordinary General Meeting in 2023 are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the First Extraordinary General Meeting in 2023 shall present their identity certifications.
6. In case of joint holders of a share, any one of such holders is entitled to vote at the meeting either in person or by proxy for such share, as if he/she is the only one entitled to do so among the joint holders. However, only the vote of the person whose name stands first on the register of members in respect of such share shall be accepted if more than one joint holder attend the meeting personally or by proxy.
7. References to times and dates in this notice are to Hong Kong local times and dates.